

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 SS-15 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 9117

INFO AMCONGEN ISTANBUL

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E.O. 11652: N/A

TAGS: ETRD, EAGR, TU

SUBJECT: CONTINENTAL GRAIN CONTRACT WITH TURKISH AGENCY

REF: ANKARA 3590

1. ECONOMIC COUNSELOR FUJIWARA, JAPANESE EMBASSY,
PROVIDED FOLLOWING INFORMATION ABOUT JAPANESE COMPANIES'
PROBLEM WITH TURKISH EFFORTS TO CANCEL CONTRACTS.

2. JAPANESE FIRMS (MARUBENI, MITSUI, AND ITOH) HAVE
SUPPLIED LARGE QUANTITIES OF STEEL TO EREGLI SINCE 1971.
CONTRACT FOR 1974 CALLED FOR DELIVERY 80,000 TONS OF PRODUCTS
(HOT-ROLLED COILS AND COLD-ROLLED SHEETS). TOWARDS END OF 1974
EREGLI MADE EFFORTS TO CANCEL BALANCE OF CONTRACT; I.E., 20,000 TONS.
VARIOUS REASONS WERE GIVEN FOR THE PROPOSED CANCELLATION: I.E.,
DROP IN PRICES SINCE CONTRACT WAS SIGNED, EREGLI'S FINANCIAL
DIFFICULTIES, AND PRESSURE BY TURKISH GOVERNMENT ON EREGLI TO
REDUCE STOCKS. JAPANESE COMPANIES AGREED TO MAKE VARIOUS
CONCESSIONS TO EREGLI (THE PRICE OF APPROXIMATELY \$350 PER
TON WOULD BE REDUCED BY \$100 PER TON; DELIVERY WOULD BE DELAYED BY
THREE MONTHS FOR A PORTION OF THE CONTRACT; PAYMENT WOULD BE DEFERRED
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BY ONE YEAR, AND THE PRICE TO BE PAID IN U.S. DOLLARS INSTEAD OF

GERMAN MARKS AS ORIGINALLY PROVIDED). FUJIWARA SAID EREGLI AGREED TO GO AHEAD WITH CONTRACT ON THESE CONDITIONS, AND MINISTRY OF COMMERCE GAVE ITS APPROVAL. HOWEVER, RECENTLY MINISTRY OF FINANCE HAS REFUSED TO GIVE APPROVAL FOR OPENING LETTER OF CREDIT.

3. JAPANESE EMBASSY HAS BEEN ASKED BY JAPANESE FIRMS TO INTERVENE WITH TURKISH AUTHORITIES. HOWEVER, JAPANESE EMBASSY HAS THUS FAR SIMPLY BEEN KEEPING ITSELF INFORMED. FUJIWARE SAID HIS EMBASSY HAS BEEN RELUCTANT TO INTERVENE FORMALLY IN THIS MATTER BECAUSE OF TURKISH GOVERNMENT RESENTMENT OF "FOREIGN PRESSURES" IN SUCH CASES. HOWEVER, HE SAID JAPANESE AMBASSADOR IS CONSIDERING MAKING APPROACH TO MINISTRY OF FINANCE, IF MATTER NOT RESOLVED SOON, TO ARGUE THAT EQUITABLE TRADE RELATIONS BETWEEN COUNTRIES REQUIRE THAT CONTRACTS BE HONORED.

4. EMB COMMENT: INFORMATION SUPPLIED BY JAPANESE EMBASSY SEEMS TO INDICATE THAT JAPANESE PROBLEM MAY HAVE ORIGINATED WITH DIFFICULTIES ENCOUNTERED BY EREGLI STEEL COMPANY LAST YEAR. HOWEVER, MOST RECENTLY IT MAY HAVE BEEN CAUGHT UP IN EFFORTS OF TURKISH GOVERNMENT TO RECIEV IMPORT CONTRACTS WITH A VIEW TO OBTAINING MORE FAVORABLE PRICES WHERE COMMODITY PRICES HAVE BEEN DECLINING.
MACOMBER

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Margaret P. Grafeld
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